

Introduction of a transitional rule relating to the gradual increase in certain rates of the public utility tax

In general, municipalities collect a property tax on immovables located in their territory. For this purpose, they draw up a property assessment roll by establishing the value of these immovables and this roll is used to calculate the property tax.

However, immovables that are part of a telecommunications system, a gas distribution system or an electric power production, transmission or distribution system are not included in municipalities' property assessment roll and are therefore excluded from the regular property tax system. The operator of any of these public utilities systems is subject to an alternative regime under which the operator must pay to the Minister of Revenue a public utility tax¹ (hereinafter referred to as "PUT").

The PUT was introduced in the 2004-2005 budget.² It replaced a tax that was then calculated on the income from the operation of a public utility system.

As such, a person or a partnership that is an operator of a telecommunications or gas distribution system or an electric power production, transmission or distribution system in a calendar year must pay the PUT for that year on or before March 1 of that year. Briefly, the PUT is calculated on the net value of the assets that are part of an operator's system.

The review of tax expenditures carried out by the government as part of the 2025-2026 budget³ revealed that certain adjustments needed to be made to the PUT. As a result, it was announced, among other things, that certain rates of the PUT would be gradually increased starting in the 2027 calendar year until 2035.

¹ The rules regarding the public utility tax are set out in Part VI.4 of the *Taxation Act*.

² MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2004-2005 – Additional Information on the Budgetary Measures*, March 30, 2004, Section 1, pp. 125-132.

³ MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2025-2026 – Additional Information*, March 25, 2025, pp. A.79-A.83.

The following table shows the rates applicable following the changes made as part of this budget.

TABLE

Public utility tax rates as of 2027

(per cent)

Type of system	2027	2028	2029	2030	2031	2032	2033	2034	2035 ⁽¹⁾
Electricity – Production assets ⁽²⁾	0,70	0,80	0,90	1,00	1,10	1,20	1,30	1,40	1,50
Electricity – Transmission and distribution assets									
– First \$750 M	0,20	0,20	0,20	0,20	0,20	0,20	0,20	0,20	0,20
– Over \$750 M	0,55	0,55	0,55	0,55	0,55	0,55	0,55	0,55	0,55
Telecommunications	0,70	0,80	0,90	1,00	1,10	1,20	1,30	1,40	1,50
Gas									
– First \$750 M	0,75	0,80	0,90	1,00	1,10	1,20	1,30	1,40	1,50
– Over \$750 M	1,50	1,50	1,50	1,50	1,50	1,50	1,50	1,50	1,50

(1) The rates applicable for the 2035 calendar year will also apply to the following years.

(2) The same rate will apply to the portion of the net value of assets attributable to electric power production that exceeds or does not exceed \$750 M.

Despite the gradual nature of this increase, it seems necessary to introduce a transitional rule to acknowledge the particularities of projects under an electricity supply contract (ESC) concluded with Hydro-Québec, projects for which the terms and conditions for setting electricity prices are predefined for a long period.

Accordingly, the gradual increase of the rates will not apply, for a particular calendar year, in respect of the portion of the net value of the assets of an operator, other than Hydro-Québec or any of its subsidiaries, for its last fiscal period that ends in the calendar year preceding the particular calendar year, that is attributable to an asset used primarily under an ESC concluded with Hydro-Québec on or before March 25, 2025, or under an ESC concluded with Hydro-Québec which was the subject of a preliminary agreement on the price of electricity on or before March 25, 2025, to the extent that the ESC is in effect at any time during that fiscal period.

For greater clarity, assets covered by this transitional rule will continue to be subject to the rates applicable before the changes made as part of the 2025-2026 budget. However, following an ESC renewal or extension, these assets will be subject to the new rates applicable to the PUT.

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